

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for Extended Area
Service from the Kerkhoven Exchange to the
Willmar Exchange

ISSUE DATE: November 29, 2001

DOCKET NO. P-418,421/CP-97-1520

ORDER SETTING EAS RATE ADDITIVES
AND REQUIRING POLLING

PROCEDURAL HISTORY

On October 12, 1997 telephone subscribers in the Kerkhoven exchange filed a petition seeking extended area service (EAS) to the neighboring exchange of Willmar. The Kerkhoven exchange is served by Mid-State Telephone (Mid-State); the Willmar exchange is currently served by Qwest Communications Inc. (Qwest).

On July 14, 1999, the commission issued an Order finding that the proposed Kerkhoven/Willmar EAS route met the threshold requirements of adjacency and traffic volume. The Commission therefore directed the incumbent local exchange carriers serving Kerkhoven and Willmar to determine the cost of installing and operating the proposed routes and to develop proposed rates to recover those costs. The Commission would then poll the Kerkhoven subscribers to determine whether they wanted EAS at those rates.

The companies duly filed their cost studies and proposed rates, but the Commission did not proceed directly to polling. Instead, in a series of Orders issued between November 1998 and May 2001, the Commission addressed a series of new issues posed by the need to adapt EAS to the competitive telecommunications market mandated by state and federal law. With these issues largely settled, the Commission met on November 20, 2001 to again consider the Kerkhoven petition.

FINDINGS AND CONCLUSIONS

I. The Legal Standard

Extended area service is a service arrangement permitting neighboring telephone exchanges to become a single local calling area with toll-free calling. The criteria for establishing EAS and the procedures for determining EAS costs were set by Commission Orders (the EAS Orders) following an industry-wide fact-finding and policymaking proceeding.¹ Briefly, these criteria and procedures are as follows.

- (1) A petitioning exchange must be adjacent to the exchange or local calling area to which it seeks EAS.
- (2) At least 50% of subscribers in the petitioning exchange must make at least three calls per month to the exchange or local calling area to which EAS is sought.
- (3) The companies serving the two exchanges or local calling areas must determine the cost of installing and operating the proposed EAS route, using Commission-approved costing methods, and file proposed rate additives to recover these costs.
- (4) The Commission must poll subscribers in the petitioning exchange on whether they want EAS at the rates adopted by the Commission.
- (5) If 50% of the subscribers responding to the poll vote yes, the EAS route must be installed.

In this case the Commission has determined that the petitioning exchange meets the threshold adjacency and traffic volume requirements for the proposed route. What remains is to determine the cost of the proposed route, to set rates reflecting those costs, and to poll subscribers in the petitioning exchange.

II. EAS Rate Additives Set

The two companies' final cost studies pass muster under the standards set in the EAS Orders. They reflect actual, specific costs and sound accounting methods. They will be accepted.

¹ In the Matter of an Investigation into the Appropriate Local Calling Scope, in Accordance with Minn. Stat. 237.161 (1994), Docket No. P-999/CI-94-296, ORDER REACTIVATING THE PROCESSING OF EAS PETITIONS (October 24, 1995) and ORDER AFTER RECONSIDERATION (February 23, 1996).

The rates based on these cost studies must be adjusted, however, because they reflect the former practice of pooling the total costs of proposed EAS routes and allocating those costs between affected exchanges and companies. While this practice was reasonable and equitable in a monopoly environment, the Commission has found that it is so anti-competitive in its potential effects that it cannot be permitted in the current, competitive environment.² (The exception is School District EAS cases, where the Legislature has required inter-exchange cost-allocation to further overriding public policy goals.)

These adjustments yield the rates set forth below:

Kerkhoven-Willmar Kerkhoven (Mid-State) EAS Rates			
Service	Facilities-based EAS Rate	Lost Access Recovery ³	Total Monthly EAS Rate
Resid One Party	\$.14	\$5.89	\$6.03
Bus One Party	\$.22	\$9.34	\$9.56
Paystation Access	\$.33	\$14.01	\$14.34
Key Trunks	\$.22	\$9.34	\$9.56

² In the Matter of a Petition for Extended Area Service from the Almelund Exchange to the Metropolitan Calling Area, Docket No. P-407, 405, 413, 520, 426, 427, 430, 421/CP-97-1237, ORDER AFTER RECONSIDERATION (November 6, 2000), *reversed in part on the Commission's own motion as to other issues*; In the Matter of a Petition for Extended Area Service from the Osakis Exchange to the Alexandria Exchange, Docket No. 552, 430/CP-98-1148, ORDER ESTABLISHING RATE ADDITIVES AND REQUIRING FURTHER FILINGS (November 6, 2000), *reversed on reconsideration as to other issues*.

³Lost toll contribution is included in this category.

Kerkhoven-Willmar Willmar (QWEST) EAS Rates			
Service	Facilities-based EAS Rate	Lost Access Recovery ⁴	Total Monthly EAS Rate
Resid Flat	\$.03	\$.14	\$.17
Resid Measured	\$.01	\$.09	\$.10
Bus Flat	\$.06	\$.35	\$.41
Bus Measured	\$.04	\$.21	\$.25
Trunks	\$.06	\$.37	\$.43
Centrex/Centron	\$.06	\$.37	\$.43
Public/Coin	\$.06	\$.35	\$.41

III. Polling Ordered

The last step in the EAS decision-making process is to poll subscribers in the petitioning exchange to determine if the majority favors installing EAS at the rates set by the Commission. The Commission will proceed to polling. It will also direct Mid-State, the carrier serving the petitioning exchange, to provide the information and cooperation required for a fair and efficient poll.

Finally, the Commission will require that both the polling materials sent to subscribers and any tariffs ultimately filed itemize separately the portion of the EAS rate additive that recovers facilities costs and the portion that recovers lost access revenues and lost toll contribution. This information may be helpful in developing and implementing a universal service funding mechanism or in future rate re-balancing initiatives. To ease administration and prevent confusion, however, monthly bills should show only the total EAS rate.

The Commission will so order.

ORDER

1. The final cost studies filed by the companies are hereby accepted and approved.
2. All subscribers in the Kerkhoven exchange shall be polled on whether they favor installing the EAS routes proposed at the rates approved herein, which are shown below:

⁴Lost toll contribution is included in this category.

Kerkhoven-Willmar Kerkhoven (Mid-State) EAS Rates			
Service	Facilities-based EAS Rate	Lost Access Recovery ⁵	Total Monthly EAS Rate
Resid One Party	\$.14	\$5.89	\$6.03
Bus One Party	\$.22	\$9.34	\$9.56
Paystation Access	\$.33	\$14.01	\$14.34
Key Trunks	\$.22	\$9.34	\$9.56

3. The EAS rate additives approved for subscribers in the Willmar exchange are as follows:

Kerkhoven-Willmar Willmar (QWEST) EAS Rates			
Service	Facilities-based EAS Rate	Lost Access Recovery ⁶	Total Monthly EAS Rate
Resid Flat	\$.03	\$.14	\$.17
Resid Measured	\$.01	\$.09	\$.10
Bus Flat	\$.06	\$.35	\$.41
Bus Measured	\$.04	\$.21	\$.25
Trunks	\$.06	\$.37	\$.43
Centrex/Centron	\$.06	\$.37	\$.43
Public/Coin	\$.06	\$.35	\$.41

4. The EAS rate additives approved herein shall be itemized, in polling materials and in any tariffs ultimately filed, to show which portion of the rate additive will recover facilities costs and which portion will recover lost access revenues and toll contribution. The EAS rate additives shall not be itemized on customers' bills.

⁵Lost toll contribution is included in this category.

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5. Mid-State shall provide cooperation and assistance to Commission staff and Commission contractors during the polling process. Such cooperation and assistance shall include, but need not be limited to, the following:
 - (a) providing usable, deliverable addresses for all access lines in a format and under time frames set by Commission staff;
 - (b) providing proof of the accuracy of customer lists as requested by Commission staff.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

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